

GREENVILLE HOUSING COMMISSION
GREENVILLE, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Greenville Housing Commission	County
Audit Date 6/30/05	Opinion Date 3/15/06	Date Accountant Report Submitted to State: 3/18/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting System for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

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DEPT. OF TREASURY

MAR 28 2006

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

LOCAL AUDIT & FINANCE DIV.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature <i>Barry E. Gaudette, CPA</i>		Date 3/18/06	

GREENVILLE HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Greenville Housing Commission
Greenville, Michigan

I have audited the accompanying financial statements of the business-type activities of the Greenville Housing Commission, Michigan, a component unit of the City of Greenville, as of and for the year ended June 30, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Greenville Housing Commission, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended and interpreted as of June 30, 2005.

Greenville Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated March 15, 2006, on my consideration of Greenville Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Greenville Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Greenville Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bary E. Tardiff, CPA, PC

March 15, 2006

GREENVILLE HOUSING COMMISSION
GREENVILLE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
June 30, 2005
=====

The Greenville Housing Commission, created in 1968, by the City of Greenville provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Greenville Housing Commission consists of four programs. The first is owned housing, consisting of 89 units of public housing, the second is the capital funding program, and the third is the housing choice voucher program consisting of 107 qualifying low-income residents for rental housing, and the Housing Commission also operates a New Construction Section 8 Program of 61 units of subsidized housing in the City of Greenville.

Greenville Housing Commission had total revenues of \$1,429,909 that includes \$343,493 in rental payments and \$1,069,459 in federal assistance. Total revenues increased by \$31,891 from the prior year, in part, because of rent increases compared to the prior year. Total operating expenses were \$1,373,064, that includes \$248,982 in administrative expenses, \$109,439 in utilities, \$215,956 in ordinary maintenance and operation, \$425,712 in housing assistance payments, and \$249,443 in depreciation expense. The operating expenses decreased by \$19,153, in part, because of the interest expense decreasing as the New Construction Program loan is paid off.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$2,391,403. The Housing Commission's total net assets increased by \$56,845 from the prior year; the increase is equal to the net profit for the year.

Total assets of the Housing Commission were \$3,265,253; there was a net decrease of \$93,540 from the prior year as a result of applying accumulated depreciation \$249,443 and net additions of \$155,903.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current assets	\$ 717,732	\$ 724,119	\$ (6,387)
Property and equipment	<u>2,547,521</u>	<u>2,634,674</u>	<u>(87,153)</u>
Total assets	<u>\$3,265,253</u>	<u>\$3,358,793</u>	<u>\$ (93,540)</u>
Current liabilities	\$ 234,588	\$ 284,235	\$ (49,647)
Noncurrent liabilities	<u>639,262</u>	<u>740,000</u>	<u>(100,738)</u>
Total liabilities	<u>873,850</u>	<u>1,024,235</u>	<u>(150,385)</u>
Net assets:			
Invested in capital assets	1,792,521	1,774,674	17,847
Unrestricted	<u>598,882</u>	<u>559,884</u>	<u>38,998</u>
Total net assets	<u>2,391,403</u>	<u>2,334,558</u>	<u>56,845</u>
Total liabilities and net assets	<u>\$3,265,253</u>	<u>\$3,358,793</u>	<u>\$ (93,540)</u>

The following table of summarizes the Statement of Activities of the Housing Commission for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 343,493	\$ 323,810	\$ 19,683
Nondwelling rent	<u>3,374</u>	<u>3,522</u>	<u>(148)</u>
Total operating revenues	<u>346,867</u>	<u>327,332</u>	<u>19,535</u>

Operating expenses:

Administration	248,982	231,953	17,029
Tenant services	652	2,145	(1,493)
Utilities	109,439	109,430	9
Ordinary maintenance and operation	215,956	246,019	(30,063)
General expenses	72,846	84,712	(11,866)
Interest expense	49,400	72,766	(23,366)
Extraordinary maintenance	634		634
Housing assistance payments	425,712	409,112	16,600
Depreciation	<u>249,443</u>	<u>236,080</u>	<u>13,363</u>

Total operating expenses	<u>1,373,064</u>	<u>1,392,217</u>	<u>(19,153)</u>
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Non-operating revenue:

Loss on sale of assets	(2,254)		(2,254)
Interest income	2,332	9,227	(6,895)
Operating grants	957,322	876,901	80,421
Capital grants	112,137	174,986	(62,849)
Other income	<u>13,505</u>	<u>9,572</u>	<u>3,933</u>

Total nonoperating revenue	<u>1,083,042</u>	<u>1,070,686</u>	<u>12,356</u>
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Change in Net Assets	<u>\$ 56,845</u>	<u>\$ 5,801</u>	<u>\$ 51,044</u>
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Our cash and investments remained unchanged; our capital assets increased \$162,290 before depreciation and write off's; our current liabilities remained unchanged; and our long term liabilities decreased \$105,000 - this is a result of our net profit before depreciation of \$306,288. Several factors influenced our gain before depreciation; our grants increased approximately \$40,000, interest expense on long term debt decreased approximately \$30,000 as the mortgage is being paid off, and maintenance cost are going down due to improvements being completed under our capital fund.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year.

Capital Asset Analysis

The following represents the additions to fixed assets for the year:

Completion of Maintenance Garage - 2003 Capital Fund Project
(CFP) \$58,000.

2004 CFP:

Kitchen renovations (15 units) \$54,000;
Bathroom renovations (54 units) \$24,500;
Door Locks replaced, barrier & access free (54 units) \$17,000;
Landscaping & parking lot repairs, Painting of doors and common areas \$9,000.

Budgetary Highlights

The Commission approved an operating budget on March 26, 2004, and revised the budget May 26, 2005 to more closely reflect the actual to budget results. No significant changes occurred between the original and revised budgets; the actual compared to budget likewise did not have any significant differences - the budget called for a net loss of \$46,438, the actual net loss was \$ 52,252.

Commission's Position

The Commission plans on continuing our renovation project in fiscal 2006; we have plans to renovate the kitchens in an additional 21 units, upgrade our security systems with emergency call panels and surveillance cameras in common areas, install ground fault circuit breakers in the scattered site units, and other needed repairs. We plan on using our 2005 CFP to fund the aforementioned additions.

During the past year our Section 8 coordinator position was eliminated due to budget constraints. Subsequently we became aware of impropriety and mismanagement by the previous coordinator of the program which were numerous and prompted the Director to request an investigation by HUD; the results of HUD's review have not been released as of the date of this report. The Commission intends to cooperate fully with HUD and correct any errors discovered; it is undecided at this time whether the Commission or HUD will pursue the employee for her deception and program failures.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Lorri J. Brookman, Executive Director
308 E. Oak Street, Greenville, MI 48838

FINANCIAL STATEMENTS

GREENVILLE HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2005
=====

ASSETS

Current Assets:

Cash	\$ 191,499
Accounts receivable-tenants	7,532
Allowance for doubtful accounts	(213)
Investments-unrestricted	491,691
Prepaid expenses	<u>27,223</u>

Total Current Assets	<u>717,732</u>
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Property and Equipment:

Land	86,786
Buildings	5,628,926
Equipment	307,882
Building improvements	<u>226,103</u>
	6,249,697

Less: accumulated depreciation	<u>(3,702,176)</u>
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Net Property and Equipment	<u>2,547,521</u>
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Total Assets	<u><u>\$ 3,265,253</u></u>
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See notes to financial statements

GREENVILLE HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2005
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Bank overdraft	\$ 3,674
Accounts payable	63,947
Tenant security deposit liability	33,221
Accrued expenses	2,546
Deferred revenues	10,490
Current portion of long-term debt	120,000
Other current liabilities	150
Accrued liabilities-other	<u>560</u>
Total Current Liabilities	<u>234,588</u>
Noncurrent Liabilities:	
Long-term debt, net of current	635,000
Accrued compensated absences	<u>4,262</u>
Total Noncurrent Liabilities	<u>639,262</u>
Total Liabilities	<u>873,850</u>
Net Assets:	
Invested in capital assets	1,792,521
Unrestricted net assets	<u>598,882</u>
Total Net Assets	<u>2,391,403</u>
Total Liabilities and Net Assets	<u>\$ 3,265,253</u>

See notes to financial statements

GREENVILLE HOUSING COMMISSION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

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OPERATING REVENUES:

Dwelling rent	\$ 343,493
Non-dwelling rent	<u>3,374</u>
Total operating revenues	<u>346,867</u>

OPERATING EXPENSES:

Administration	248,982
Tenant services	652
Utilities	109,439
Ordinary maintenance and operation	215,956
General expenses	72,846
Interest expense	49,400
Extraordinary maintenance	634
Housing assistance payments	425,712
Depreciation	<u>249,443</u>
Total operating expenses	<u>1,373,064</u>

Operating income(loss)	<u>(1,026,197)</u>
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NONOPERATING REVENUES:

Investment interest income	2,332
Other income	13,505
Capital grants	112,137
Operating grants	957,322
Loss on sale of fixed assets	<u>(2,254)</u>

Total nonoperating revenues	<u>1,083,042</u>
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Change in net assets	56,845
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Prior period adjustments, equity transfers and correction of errors	(52,246)
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Net assets, beginning	<u>2,386,804</u>
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Net assets, ending	<u>\$ 2,391,403</u>
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See notes to financial statements

GREENVILLE HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2005
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 345,192
Cash payments to other suppliers of goods and services	(774,218)
Cash payments to employees for services	(333,721)
Cash payments for in lieu of taxes	<u>(46,437)</u>
Net cash (used) by operating activities	<u>(809,184)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Adjustments	(15,151)
Tenant security deposits	(474)
Operating grants	958,810
Other revenue	<u>13,505</u>
Net cash provided by noncapital financing activities	<u>956,690</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payments on long-term debt	(105,000)
Proceeds from sale of assets	83,036
Capital grants	131,182
Payments for capital acquisitions	<u>(247,580)</u>
Net cash (used) by capital and related financing activities	<u>(138,362)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments (increased)decreased	126,985
Receipts of interest and dividends	<u>2,332</u>
Net cash provided by investing activities	<u>129,317</u>
Net increase(decrease) in cash	138,461
Cash, beginning	<u>53,038</u>
Cash, ending	<u>\$ 191,499</u>

GREENVILLE HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended June 30, 2005
 =====

Reconciliation of cash and cash equivalents
 per statement of cash flows to the balance
 sheet:

Cash	\$ 191,499
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 191,499</u></u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$(1,026,197)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	249,443
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	1,893
Prepaid expenses	(286)
Increase (decrease) in liabilities:	
Bank overdraft	(8,682)
Accrued wage/payroll taxes payable	2,072
Accrued interest	1
Accounts payable-PILOT	(23,861)
Other current liabilities	1
Deferred revenues	<u>(3,568)</u>
Net cash (used) by operating activities	<u><u>\$(809,184)</u></u>

See notes to financial statements

GREENVILLE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Greenville Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Greenville Housing Commission is a component unit of the City of Greenville, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Greenville on April 8, 1968, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Greenville Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3011, the Housing Commission constructed, maintains and operates 89 units of subsidized housing in the City of Greenville, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 107 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program. The Housing Commission also, since April 21, 1978, operates a New Construction Section 8 Program of 61 units of subsidized housing in the City of Greenville.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the

Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Greenville Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary

funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$300 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	5 - 10 years
Building improvements	10 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave: Personnel leaving the employment of the Housing Commission are entitled to reimbursement for accumulated vacation, prorated for the length of employment.

Vacation must be used within the same calendar year accrued. Payment will not be made for vacation time not used.

- * Sick pay: Sick leave accrues to 48 days. Anything over 48 days is forfeited. Upon retirement or termination of employment, employee is paid for 50% of accrued sick leave if employee has been employed for one year or more. Sick leave time taken will be deducted from the amount accrued.

- * Personal days: Full-time employees will be granted two personal days each year. Not to be accrued beyond the year in which they are given.

The amount of accumulated benefits at June 30, 2005, was \$4,735, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program, Housing Choice Voucher Program, and Section 8 New Construction Program funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent and Section 8 New Construction Program accounts.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$191,277 and the bank balance was \$212,032 of which \$212,032 was covered by federal depository insurance. The Housing Commission also has \$222 in petty cash.

Investments

The Housing Commission had the following investments in certificates of deposit as June 30, 2005:

Greenville Community Bank (CD #35485)	\$ 45,000
Greenville Community Bank (CD #73)	30,000
Huntington Bank (CD #07153049219)	10,000
Standard Federal (Cash and equivalents)	189,200
Standard Federal Corporate Trust (Cash and equivalents)	209,654
Oppenheimer & Co. (Money market funds)	7,607
Oppenheimer & Co. (Government Agency Bonds)	<u>230</u>
	<u>\$491,691</u>

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- | | | |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and |
| 3. Mortgage Backed Securities | - | 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Cash on hand	\$ 222
Carrying amount of deposits	191,277
Investments	<u>491,691</u>

Cash on hand	\$ 222
Carrying amount of deposits	191,277
Investments	<u>491,691</u>
 Total	 <u>\$ 683,190</u>
Cash and cash equivalents:	
Enterprise activities	\$ 707,291
Enterprise activities - checks written in excess of deposits	<u>(24,101)</u>
 Total	 <u>\$ 683,190</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2005, the receivables were \$7,532 with \$213 estimated as uncollectible. Bad debt expense was \$8,210.

Accounts Payable - HUD

Amounts due to HUD represents overfunding the Housing Commission has received. Balances at June 30, 2005 were as follows:

Housing Choice Voucher Program	<u>\$ 23,154</u>
--------------------------------	------------------

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$134,804		
Capital Fund Program	18,218		
Housing Choice Voucher Program	<u>2,575</u>	Section 8 New Construction	<u>\$155,597</u>
	<u>\$155,597</u>		<u>\$155,597</u>

The capital fund program transferred \$100,000 to the Low Rent Program during the fiscal year ended June 30, 2005.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>06/30/05</u>
Low Rent Program			
Land	\$ 68,012	\$	\$ 68,012
Buildings	3,023,525	130,219	3,153,744
Furniture, equip. & machinery - dwellings	54,671		54,671
Furniture, equip. & machinery - administration	164,359		164,359
	<u>3,310,567</u>	<u>\$ 130,219</u>	<u>3,440,786</u>
Less accumulated depreciation	<u>(1,866,650)</u>	<u>\$ (171,455)</u>	<u>(2,038,105)</u>
Total	<u>\$1,443,917</u>		<u>\$1,402,681</u>
Capital Fund Program			
Building improvements	<u>\$ 243,358</u>	<u>\$ 112,964</u>	<u>\$ 226,103</u>
Housing Choice Voucher Program			
Furniture, equip. and machinery- administration	<u>\$ 656</u>	<u>\$</u>	<u>\$ 656</u>
	<u>656</u>	<u>\$</u>	<u>656</u>
Less accumulated depreciation	<u>(656)</u>	<u>\$</u>	<u>(656)</u>
Total	<u>\$</u>		<u>\$</u>
New Construction Section 8 Program			
Land	\$ 18,774	\$	\$ 18,774
Buildings	2,425,856	49,326	2,475,182
Furniture, equip. & machinery - dwellings	60,000		60,000
Furniture, equip. & machinery - administration	28,196		28,196
	<u>2,532,826</u>	<u>\$ 49,326</u>	<u>2,582,152</u>
Less accumulated depreciation	<u>(1,585,427)</u>	<u>\$ (77,988)</u>	<u>(1,663,415)</u>
Total	<u>\$ 947,399</u>		<u>\$ 918,737</u>
Combined Totals			<u>\$2,547,521</u>

NOTE 5: INVESTED IN CAPITAL ASSETS

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended June 30, 2005, consist of the following:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 1,774,674
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>17,847</u>
Balance, ending	<u>\$ 1,792,521</u>

These reclassifications are investments in fixed assets, net of depreciation paid for from operations, not included in contributed capital.

NOTE 6: OTHER INFORMATION**A. Pension Plan**

The Greenville Housing Commission contributes 4% of employee earnings to a tax sheltered annuity Program administered by the State Farm Insurance Company in the employee's name. The Housing Commission contributed \$8,606 and employee's \$6,885 to the plan during the fiscal year. The pension plan is a defined contribution plan.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended June 30, 2005, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis- State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

E. Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Prior Period Adjustment: accrual adjustment	\$(15,151)
Equity Transfer: 2001 CFP closed out	<u>130,219</u>
	<u>\$ 115,068</u>

Public Housing Capital Fund Program

Prior Period Adjustment: reclass of soft cost	\$ 827
Equity Transfer: Close 2001 CFP transfer to low rent	<u>(130,219)</u>
	<u>\$(129,392)</u>

Housing Choice Voucher Program

Prior Period Adjustment: change in prior year funding per HUD	<u>\$(16,255)</u>
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Section 8 New Construction Program

Prior Period Adjustment: adj of prior year HUD funding	<u>\$(21,667)</u>
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NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2005, was as follows:

	Low Rent Program	Capital Fund Program	Housing Choice Vouchers	New Construct. Program
Condensed Statement of Net Assets				
Current assets	\$ 204,140	\$ 18,218	\$ 26,095	\$ 624,451
Property & equipment	<u>1,402,681</u>	<u>226,103</u>		<u>918,737</u>
Total assets	<u>\$1,606,821</u>	<u>\$244,321</u>	<u>\$ 26,095</u>	<u>\$1,543,188</u>
Current liabilities	\$ 49,340	\$ 18,218	\$ 23,154	\$ 299,473
Noncurrent liabilities	<u>4,262</u>			<u>635,000</u>
Total noncurrent liabilities	<u>53,602</u>	<u>18,218</u>	<u>23,154</u>	<u>934,473</u>
Net assets:				
Invested in capital assets	1,402,681	226,103		163,737
Unrestricted net assets	<u>150,538</u>		<u>3,366</u>	<u>444,978</u>
Total net assets	<u>1,553,219</u>	<u>226,103</u>	<u>3,366</u>	<u>608,715</u>
Total liabilities & net assets	<u>\$1,606,821</u>	<u>\$244,321</u>	<u>\$ 26,520</u>	<u>\$1,543,188</u>
Condensed Statement of Activities				
Dwelling and nondwelling rents	\$ 215,486	\$	\$	\$ 131,381
Depreciation	(171,455)			(77,988)
Other operating expenses	<u>(377,445)</u>		<u>(482,444)</u>	<u>(263,732)</u>
Operating(loss)	<u>(333,414)</u>		<u>(482,444)</u>	<u>(210,339)</u>
Nonoperating revenues:				
Loss on sale of fixed assets				(2,254)
Investment earnings	1,278		326	728
Other income	8,419			5,086
Operating grants	152,172	100,000	484,559	220,591
Capital grants		112,137		
Operating transfers	<u>100,000</u>	<u>(100,000)</u>		
Change in net assets	(71,545)	112,137	2,441	13,812
Prior period adjustments	115,068	(129,392)	(16,255)	(21,667)
Beginning net assets	<u>1,509,696</u>	<u>243,358</u>	<u>17,180</u>	<u>616,570</u>
Ending net assets	<u>\$1,553,219</u>	<u>\$226,103</u>	<u>\$ 3,366</u>	<u>\$ 608,715</u>

**Condensed Statement
of Cash Flows**

Net cash provided

(used) by:

Operating activities	\$ (181,428)	\$	\$ (482,444)	\$ (145,312)
Noncapital financing activities	180,262	(18,218)	499,005	295,641
Capital and related financing activities		18,218		(156,580)
Investing activities	(3,212)		326	132,203
Net increase (decrease)	(4,378)		16,887	125,952
Beginning cash and cash equivalents	4,500		4,208	44,330
Ending cash and cash equivalents	<u>\$ 122</u>	<u>\$</u>	<u>\$ 21,095</u>	<u>\$ 170,282</u>

NOTE 8: CONTINGENCY

The Housing Commission's Housing Choice Voucher Program is being investigated by HUD. It is not possible to estimate any loss contingencies, if any.

SUPPLEMENTARY INFORMATION

GREENVILLE HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
June 30, 2005
=====

C-3011	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

ASSETS

Current assets:

Cash	\$	122	\$
Accounts receivable-tenants		6,087	
Allowance for doubtful accounts	(213)	
Investments-unrestricted		49,490	
Prepaid expenses		13,850	
Due from other programs		<u>134,804</u>	<u>18,218</u>

Total current assets		<u>204,140</u>	<u>18,218</u>
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Property and equipment:

Land		68,012	
Buildings		3,153,744	
Equipment		219,030	
Building improvements			<u>226,103</u>
		<u>3,440,786</u>	<u>226,103</u>
Less accumulated depreciation	(2,038,105)	

Net property and equipment		<u>1,402,681</u>	<u>226,103</u>
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Total Assets	\$	<u>1,606,821</u>	\$ <u>244,321</u>
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Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$ 21,095	\$ 170,282	\$ 191,499
	1,445	7,532
		(213)
	442,201	491,691
2,850	10,523	27,223
<u>2,575</u>		<u>155,597</u>
<u>26,520</u>	<u>624,451</u>	<u>873,329</u>
	18,774	86,786
	2,475,182	5,628,926
656	88,196	307,882
		<u>226,103</u>
656	2,582,152	6,249,697
(656)	(1,663,415)	(3,702,176)
	918,737	<u>2,547,521</u>
<u>\$ 26,520</u>	<u>\$ 1,543,188</u>	<u>\$ 3,420,850</u>

GREENVILLE HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 June 30, 2005

=====

	C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Bank overdraft	\$ 3,674	\$
Accounts payable	14,385	18,218
Tenant security deposit liability	20,372	
Accrued expenses	2,545	
Deferred revenues	7,804	
Current portion of long-term debt		
Other current liabilities		
Accrued liabilities-other	560	
Due to other programs		
	<u>49,340</u>	<u>18,218</u>
Total current liabilities		
Noncurrent liabilities:		
Long-term debt, net of current		
Accrued compensated absences	<u>4,262</u>	
	<u>4,262</u>	
Total noncurrent liabilities		
Total liabilities	<u>53,602</u>	<u>18,218</u>
Net Assets:		
Invested in capital assets	1,402,681	226,103
Unrestricted net assets	<u>150,538</u>	
	<u>1,553,219</u>	<u>226,103</u>
Total net assets		
Total Liabilities and Net Assets	<u>\$1,606,821</u>	<u>\$ 244,321</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$	\$	\$
23,154	8,190	3,674
	12,849	63,947
	1	33,221
	2,686	2,546
	120,000	10,490
	150	120,000
		150
		560
	<u>155,597</u>	<u>155,597</u>
<u>23,154</u>	<u>299,473</u>	<u>390,185</u>
	635,000	635,000
		<u>4,262</u>
	<u>635,000</u>	<u>639,262</u>
<u>23,154</u>	<u>934,473</u>	<u>1,029,447</u>
	163,737	1,792,521
<u>3,366</u>	<u>444,978</u>	<u>598,882</u>
<u>3,366</u>	<u>608,715</u>	<u>2,391,403</u>
<u>\$ 26,520</u>	<u>\$ 1,543,188</u>	<u>\$ 3,420,850</u>

GREENVILLE HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
 Year Ended June 30, 2005
 =====

	C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 213,702	\$
Nondwelling rent	<u>1,784</u>	<u> </u>
Total operating revenues	<u>215,486</u>	<u> </u>
OPERATING EXPENSES:		
Administration	120,010	
Tenant services	153	
Utilities	63,160	
Ordinary maintenance and operation	146,768	
General expenses	46,720	
Interest expense		
Extraordinary maintenance	634	
Housing assistance payments		
Depreciation	<u>171,455</u>	<u> </u>
Total operating expenses	<u>548,900</u>	<u> </u>
Operating income(loss)	<u>(333,414)</u>	<u> </u>
NONOPERATING REVENUES:		
Operating transfers in (out)	100,000	(100,000)
Investment interest income	1,278	
Other income	8,419	
Capital grants		112,137
Operating grants	152,172	100,000
Loss on sale of fixed assets	<u> </u>	<u> </u>
Total nonoperating revenues	<u>261,869</u>	<u>112,137</u>
Change in net assets	(71,545)	112,137
Prior period adjustments, equity transfers and correction of errors	115,068	(129,392)
Net assets, beginning	<u>1,509,696</u>	<u>243,358</u>
Net assets, ending	<u>\$1,553,219</u>	<u>\$226,103</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$	\$ 129,791	\$ 343,493
	<u>1,590</u>	<u>3,374</u>
	<u>131,381</u>	<u>346,867</u>
56,732	72,240	248,982
	499	652
	46,279	109,439
	69,188	215,956
	26,126	72,846
	49,400	49,400
		634
425,712		425,712
	<u>77,988</u>	<u>249,443</u>
<u>482,444</u>	<u>341,720</u>	<u>1,373,064</u>
(482,444)	(210,339)	(1,026,197)
326	728	2,332
	5,086	13,505
		112,137
484,559	220,591	957,322
	(2,254)	(2,254)
<u>484,885</u>	<u>224,151</u>	<u>1,083,042</u>
2,441	13,812	56,845
(16,255)	(21,667)	(52,246)
<u>17,180</u>	<u>616,570</u>	<u>2,386,804</u>
<u>\$ 3,366</u>	<u>\$ 608,715</u>	<u>\$ 2,391,403</u>

GREENVILLE HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended June 30, 2005
 =====

	C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 217,651	\$
Cash payments to other suppliers of goods and services	(181,902)	
Cash payments to employees for services	(186,951)	
Cash payments for in lieu of taxes	<u>(30,226)</u>	
Net cash (used) by operating activities	<u>(181,428)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Adjustment	(15,151)	
Tenant security deposits	(1,835)	
Due from/to other funds	(63,343)	(18,218)
Operating transfers in (out)	100,000	(100,000)
Operating grants	152,172	100,000
Other revenue	<u>8,419</u>	
Net cash provided(used) by noncapital financing activities	<u>180,262</u>	<u>(18,218)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on long-term debt		
Proceeds from sale of assets		
Capital grants		131,182
Payments for capital acquisitions		<u>(112,964)</u>
Net cash provided(used) by capital and related financing activities		<u>18,218</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments (increased)decreased	(4,490)	
Receipts of interest and dividends	<u>1,278</u>	
Net cash provided(used) by investing activities	<u>(3,212)</u>	
Net increase(decrease) in cash	(4,378)	
Cash, beginning	<u>4,500</u>	
Cash, ending	<u>\$ 122</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$	\$ 127,541	\$ 345,192
(425,817)	(166,499)	(774,218)
(56,627)	(90,143)	(333,721)
<u> </u>	<u>(16,211)</u>	<u>(46,437)</u>
 (482,444)	 (145,312)	 (809,184)
		(15,151)
	1,361	(474)
(8,709)	90,270	
507,714	198,924	958,810
<u> </u>	<u>5,086</u>	<u>13,505</u>
 <u>499,005</u>	 <u>295,641</u>	 <u>956,690</u>
	(105,000)	(105,000)
	83,036	83,036
		131,182
<u> </u>	<u>(134,616)</u>	<u>(247,580)</u>
 <u> </u>	 <u>(156,580)</u>	 <u>(138,362)</u>
	131,475	126,985
<u>326</u>	<u>728</u>	<u>2,332</u>
 <u>326</u>	 <u>132,203</u>	 <u>129,317</u>
16,887	125,952	138,461
<u>4,208</u>	<u>44,330</u>	<u>53,038</u>
<u>\$ 21,095</u>	<u>\$ 170,282</u>	<u>\$ 191,499</u>

GREENVILLE HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended June 30, 2005
 =====

	C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET:		
Cash	\$ 122	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 122</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$(333,414)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	171,455	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	1,646	
Prepaid expenses	817	
Increase (decrease) in liabilities:		
Bank overdraft	(8,682)	
Accrued wage/payroll taxes payable	2,072	
Accrued interest		
Accounts payable-PILOT	(15,841)	
Other current liabilities		
Deferred revenues	<u>519</u>	
Net cash (used) by operating activities	<u>\$(181,428)</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$ 21,095	\$ 170,282	\$ 191,499
<u>\$ 21,095</u>	<u>\$ 170,282</u>	<u>\$ 191,499</u>
\$ (482,444)	\$ (210,339)	\$ (1,026,197)
	77,988	249,443
	247	1,893
	(1,103)	(286)
		(8,682)
		2,072
	1	1
	(8,020)	(23,861)
	1	1
	(4,087)	(3,568)
<u>\$ (482,444)</u>	<u>\$ (145,312)</u>	<u>\$ (809,184)</u>

GREENVILLE HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended June 30, 2005

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 152,172
	<u>Public and Indian Housing Major - Direct Program</u>		
2005	Capital Fund Program	14.872	212,137
	<u>Low Income Public Housing Major - Direct Program</u>		
2005	Housing Choice Vouchers	14.871	484,559
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2005	New Construction Section 8 Program	14.182	<u>220,591</u>
	Total		<u>\$1,069,459</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

GREENVILLE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2005

=====

FDS Line Item No.		C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ <u>122</u>	\$ <u></u>
100	Total cash	<u>122</u>	<u></u>
	Receivables:		
126	A/R-tenants-dwelling rents	6,087	
126.1	Allowance for doubtful accounts - dwelling rents	(<u>213</u>)	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>5,874</u>	<u></u>
	Current Investments:		
131	Investments-unrestricted	<u>49,490</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	13,850	
144	Interprogram due from	<u>134,804</u>	<u>18,218</u>
	Total other current assets	<u>148,654</u>	<u>18,218</u>
150	Total current assets	<u>204,140</u>	<u>18,218</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	68,012	
162	Buildings	3,153,744	
163	Furn, equip & mach-dwellings	54,671	
164	Furn, equip & mach-admin.	164,359	
165	Building improvements		226,103
166	Accumulated depreciation	(<u>2,038,105</u>)	<u></u>
160	Total fixed assets, net of accumulated depreciation	<u>1,402,681</u>	<u>226,103</u>
180	Total noncurrent assets	<u>1,402,681</u>	<u>226,103</u>
190	Total Assets	<u>\$ 1,606,821</u>	<u>\$244,321</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$ 21,095	\$ 170,282	\$ 191,499
<u>21,095</u>	<u>170,282</u>	<u>191,499</u>
	1,445	7,532
		(213)
	<u>1,445</u>	<u>7,319</u>
	<u>442,201</u>	<u>491,691</u>
2,850	10,523	27,223
<u>2,575</u>		<u>155,597</u>
<u>5,425</u>	<u>10,523</u>	<u>182,820</u>
<u>26,520</u>	<u>624,451</u>	<u>873,329</u>
	18,774	86,786
	2,475,182	5,628,926
	60,000	114,671
656	28,196	193,211
		226,103
(656)	(1,663,415)	(3,702,176)
	<u>918,737</u>	<u>2,547,521</u>
	<u>918,737</u>	<u>2,547,521</u>
<u>\$ 26,520</u>	<u>\$ 1,543,188</u>	<u>\$ 3,420,850</u>

GREENVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2005
 =====

FDS Line Item No.		C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
311	Bank overdraft	\$ 3,674	\$
312	Accounts payable<=90 days		18,218
321	Accrued wage/payroll taxes payable	2,072	
322	Accrued compensated absences	473	
325	Accrued interest payable		
331	Accounts payable-HUD PHA programs		
333	Accounts payable-other government	14,385	
341	Tenant security deposits	20,372	
342	Deferred revenues	7,804	
343	Current portion of long-term debt-capital projects/mortgage revenue bonds		
345	Other currrent liabilities		
346	Accrued liabilities-other	560	
347	Interprogram due to		
310	Total current liabilities	<u>49,340</u>	<u>18,218</u>
	Noncurrent Liabilities:		
351	Long-term debt, net of current	/	
354	Accrued compensated absences	<u>4,262</u>	
350	Total noncurrent liabilities	<u>4,262</u>	
300	Total liabilities	<u>53,602</u>	<u>18,218</u>
	Net Assets:		
508.1	Invested in capital assets	<u>1,402,681</u>	<u>226,103</u>
508	Total invested in capital assets	1,402,681	226,103
512.1	Unrestricted net assets	<u>150,538</u>	
513	Total Net Assets	<u>1,553,219</u>	<u>226,103</u>
600	Total Liabilities and Net Assets	<u>\$ 1,606,821</u>	<u>\$244,321</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$	\$	\$ 3,674
		18,218
		2,072
		473
	1	1
23,154		23,154
	8,190	22,575
	12,849	33,221
	2,686	10,490
	120,000	120,000
	150	150
		560
	<u>155,597</u>	<u>155,597</u>
<u>23,154</u>	<u>299,473</u>	<u>390,185</u>
	635,000	635,000
		4,262
	<u>635,000</u>	<u>639,262</u>
<u>23,154</u>	<u>934,473</u>	<u>1,029,447</u>
	<u>163,737</u>	<u>2,547,521</u>
	163,737	1,792,521
<u>3,366</u>	<u>444,978</u>	<u>598,882</u>
<u>3,366</u>	<u>608,715</u>	<u>2,391,403</u>
<u>\$ 26,520</u>	<u>\$ 1,543,188</u>	<u>\$ 3,420,850</u>

GREENVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2005

FDS Line Item No.		C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 213,702	\$
704	Tenant revenue-other	<u>1,784</u>	
705	Total tenant revenue	215,486	
706	HUD PHA grants	152,172	100,000
706.1	Capital grants		112,137
711	Investment income-unrestricted	1,278	
715	Other revenue	8,419	
716	Gain/loss on sale of fixed assets	<u> </u>	<u> </u>
700	Total revenue	<u>377,355</u>	<u>212,137</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	66,683	
912	Auditing fees	2,280	
914	Compensated absences	1	
915	Employee benefit contributions-adm.	29,717	
916	Other operating-administrative	21,329	
	Tenant Services:		
924	Tenant services-other	153	
	Utilities:		
931	Water	19,925	
932	Electricity	23,127	
933	Gas	20,108	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	64,070	
942	Ordinary maint & oper-mat'ls & other	19,526	
943	Ordinary maint & oper-contract costs	34,619	
945	Employee benefit contributions	28,553	
	General expenses:		
961	Insurance premiums	25,828	
963	Payments in lieu of taxes	14,385	
964	Bad debt-tenant rents	5,084	
967	Interest expense		
968	Severance expense	<u>1,423</u>	
969	Total operating expenses	<u>376,811</u>	
970	Excess operating revenue over operating expenses	<u>544</u>	<u>212,137</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 New Construction Program <u>14.182</u>	<u>Totals</u>
\$	\$ 129,791	\$ 343,493
	<u>1,590</u>	<u>3,374</u>
	131,381	346,867
484,559	220,591	957,322
		112,137
326	728	2,332
	5,086	13,505
	(<u>2,254</u>)	(<u>2,254</u>)
<u>484,885</u>	<u>355,532</u>	<u>1,429,909</u>
55,400	34,016	156,099
	1,520	3,800
		1
1,227	18,504	49,448
105	18,200	39,634
	499	652
	11,316	31,241
	16,062	39,189
	18,901	39,009
	24,561	88,631
	10,318	29,844
	21,247	55,866
	13,062	41,615
	14,809	40,637
	8,191	22,576
	3,126	8,210
	49,400	49,400
		<u>1,423</u>
<u>56,732</u>	<u>263,732</u>	<u>697,275</u>
<u>428,153</u>	<u>91,800</u>	<u>732,634</u>

GREENVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2005
 =====

FDS Line Item No.		C-3011 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	634	
973	Housing assistance payments		
974	Depreciation expense	<u>171,455</u>	
	Total other expenses	<u>172,089</u>	
900	Total expenses	<u>548,900</u>	
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(171,545)	212,137
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>100,000</u>	<u>(100,000)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(71,545)	112,137
1103	Beginning Net Assets	1,509,696	243,358
1104	Prior period adjustments, equity transfers and correction of errors	<u>115,068</u>	<u>(129,392)</u>
	Ending Net Assets	<u>\$ 1,553,219</u>	<u>\$226,103</u>

Housing Choice Vouchers 14.871	Section 8 New Construction Program 14.182	Totals
		634
425,712		425,712
	77,988	249,443
425,712	77,988	675,789
482,444	341,720	1,373,064
2,441	13,812	56,845
2,441	13,812	56,845
17,180	616,570	2,386,804
(16,255)	(21,667)	(52,246)
\$ 3,366	\$ 608,715	\$ 2,391,403

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Housing Commissioners
Greenville Housing Commission
Greenville, Michigan

I have audited the financial statements of the business-type activities of the Greenville Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated March 15, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated March 15, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Greenville Housing Commission
Page Two

Compliance and Other Matters (continued)

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Gary E. Tardiff, CPA

March 15, 2006

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Greenville Housing Commission
Greenville, Michigan

Compliance

I have audited the compliance of the Greenville Housing Commission , Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

As described in items 05-1, and 05-3 thru 05-8, in the accompanying schedule of findings and questioned costs, the Housing

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Greenville Housing Commission
Page Two

Compliance (continued)

Commission, did not comply with requirements regarding eligibility, special tests and provisions, and required documentation for the Homeownership Program applicable to the Housing Choice Voucher Program. Also, as described in item 05-9 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility that are applicable to its Low Rent and New Construction Programs. Also, as described in item 05-10 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with a requirement of the Davis-Bacon Act in the Capital Fund Program. Compliance with such requirements is necessary, in my opinion, for the Housing Commission, to comply with requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Housing Commission's, ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 05-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grant

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Greenville Housing Commission
Page Three

Internal Control Over Compliance (continued)

caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition, described above, I consider to be a material weakness.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Sandell, CPA, PE

March 15, 2006

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2005
=====

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Commission.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Housing Commission were discovered during the audit.
4. Material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Housing Commission expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) or OMB Circular A-133 are reported in this Schedule.
7. Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Amount Expended</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Questioned Costs</u>	<u>Audit Finding</u>
14.850	Low Rent Public Housing	\$ 152,172	No	E	N/A	05-9
14.872	Capital Fund Program	212,137	Yes	D	N/A	05-10
14.871	Housing Choice Vouchers	484,559	Yes	E,N	N/A	05-1
				E,N	N/A	05-2
				E	N/A	05-3
				N	N/A	05-4
				N	N/A	05-5
				N	N/A	05-6
				N	N/A	05-7
				P	N/A	05-8
14.182	New Construction Section 8	<u>220,591</u>	No	E	N/A	05-9
Total		<u>\$1,069,459</u>				

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Housing Commission was not determined to be a low-risk auditee.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2005
=====

B. Financial Statement Findings None

C. Federal Award Findings and Questioned Costs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Housing Choice Voucher Program - CFDA No. 14.871

05-1 Year ended June 30, 2005

Condition and Criteria: Required documentation to determine eligibility is missing in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the Voucher without the proper documentation available to review.

Cause: The former occupancy specialist in charge of this program did not perform due diligence in her duties.

Population and Items Tested: I selected the first twenty tenant files to test. There was a population of 107 tenant files to choose from.

I looked for the following required documentation in the files:

	<u># of Exceptions</u>
a. Application	0
b. Copy of birth certificate	11
c. Copy of social security card	7
d. Copy of photo ID	8
e. Citizenship form	3
f. Ethnicity form	5
g. Voucher	12
h. Request for tenancy approval	5
i. Inspection report	14
j. Relationship statement	6
k. Ownership certification	5
l. Lead base paint form	10
m. Lease	10
n. Tenancy addendum	7
o. Signed worksheet for HUD-50058	1
p. Form HUD-50058	4
q. Signed HAP contract	18
r. Signed release form	8
s. Proper verifications of income and expenses	4
	<u>138</u>

C. Federal Award Findings and Questioned Costs (continued)

Population and Items Tested (continued):

Out of a possible 380, there were 138 exceptions from this test, i.e. a 36.4% exception rate.

Auditor's Recommendation: I recommend that the Housing Commission immediately begin correcting the lack of documentation listed above for all tenant files.

Grantee Response: We have begun the process of obtaining the missing documentation for all Housing Choice Voucher tenants. Also, HUD was notified and they have done an investigation of the Program, but have not issued their report yet.

C. Federal Award Findings and Questioned Costs (continued)

Housing Choice Voucher Program - CFDA No. 14.871

05-2 Year Ended June 30, 2005

Condition and Criteria: There was not a periodic review done of tenant files during the fiscal year.

Effect: The tenant files were often missing the required documentation to determine if tenants were eligible, briefings held, inspections performed, rent reasonable tests performed, utility allowance calculations performed, tenants were selected properly from the waiting list, and that the Homeownership Program was being documented properly.

Cause: The Executive Director did not perform a review of the program.

Population and Items Tested: Same as finding 05-1.

Auditor's Recommendation: I recommend that the Executive Director review at least five(5) tenant files each time at random dates during the year at least four(4) times.

Grantee Response: We agree that the files need to be reviewed at various times during the year and will comply with this recommendation.

C. Federal Award Findings and Questioned Costs (continued)

Housing Choice Voucher Program - CFDA No. 14.871

05-3 Year Ended June 30, 2005

Condition and Criteria: There was not any documentation in the the tenant files to indicate that briefings were held with the tenants selected for the program.

Effect: The tenant may not be aware of their responsibilities.

Cause: The former occupancy specialist in charge of this program apparently did not consistently hold briefings for tenants selected for this program.

Population and Items Tested: Same as finding 05-1.

Auditor's Recommendation: I recommend that the Housing Commission have the tenant sign a declaration that they were briefed about the program.

Grantee Response: Since the former occupancy specialist was terminated, briefings have been held with the tenants.

C. Federal Award Findings and Questioned Costs (continued)

Housing Choice Voucher Program - CFDA No. 14.871

05-4 Year Ended June 30, 2005

Condition and Criteria: There is not the required documentation in 70% of the tenant files tested to support that inspections were performed.

Effect: Tenants may be in substandard units.

Cause: The former occupancy specialist either didn't perform inspections of all units or did not file the documentation in the tenant file properly.

Population and Items Tested: Out of 107 tenant files, twenty(20) were tested and of these, fourteen(14) did not include the inspection report.

Auditor's Recommendation: I recommend that each unit be inspected at least annually and quality control reinspections and that the unit inspection report be filed with the tenant file.

Grantee Response: Since the former occupancy specialist was terminated the inspections of each unit have been performed and the unit inspection report is filed in the tenant file.

C. Federal Award Findings and Questioned Costs (continued)

Housing Choice Voucher Program - CFDA No. 14.871

05-5 Year Ended June 30, 2005

Condition and Criteria: A rent reasonable test is required to be performed initially and during the term of the contract for each tenant.

Effect: The rent to the owner may not be reasonable in comparison for other comparable unassisted units.

Cause: The former occupancy specialist had not recently done a study of comparable rents for other unassisted units.

Population and Items Tested: Of the twenty(20) tenant files tested, there **was not** one(1) rent reasonable test performed.

Auditor's Recommendation: I recommend the Housing Commission begin performing a rent reasonable test on an annual basis for each tenant and file the documentation in the tenant file.

Grantee Response: We are in the process of hiring a consultant to perform this test for us. In future years we will be able to perform this test ourselves.

C. Federal Award Findings and Questioned Costs (continued)

Housing Choice Voucher Program - CFDA No. 14.871

05-06 Year Ended June 30, 2005

Condition and Criteria: There was not any documentation available to indicate that an up-to-date utility allowance schedule was used.

Effect: If there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised, then the allowance the Housing Commission has been using would be incorrect.

Cause: The former occupancy specialist failed to update the utility allowance schedule.

Population and Items Tested: There was not any evidence that the Housing Commission has reviewed utility rate data within the last 12 months and has adjusted its utility allowance schedule if there has been a rate change of 10 percent or more in a utility category or fuel type since the last time the utility allowance schedule was revised.

Auditor's Recommendation: I recommend the Housing Commission prepare an up-to-date utility allowance schedule as soon as possible.

Grantee Response: We are in the process of hiring a consultant to prepare an up-to-date utility allowance schedule.

C. Federal Award Findings and Questioned Costs (continued)

Housing Choice Voucher Program - CFDA No. 14.871

05-7 Year Ended June 30, 2005

Condition and Criteria: There was no documentation showing that the Housing Commission followed its written policies for selecting applicants for admission from the waiting list.

Effect: Tenants may not have been selected from the top of the waiting list.

Cause: The occupancy specialist is no longer an employee of the Housing Commission and the waiting list, if there was one, cannot be found.

Population and Items Tested: Not one of the twenty(20) tenant files selected for testing had any proof of being properly selected from the waiting list.

Auditor's Recommendation: I recommend that the Housing Commission select all families admitted to the program must be selected from the waiting list. "Selection" from the waiting list generally occurs when the Housing Commission notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission. To prove that the selection was made properly, the waiting list should be printed each time a tenant is selected from the top of the list and place it in the tenant file.

Grantee Response: We concur with this recommendation.

C. Federal Award Findings and Questioned Costs (continued)

Housing Choice Voucher Program - CFDA No. 14.871

05-8 Year Ended June 30, 2005

Condition and Criteria: The Housing Commission as of June 30, 2005 had eight(8) tenants participating in the Homeownership Program, but there is no documentation in the tenant files.

Effect: The tenant files do not have contracts, pictures, or closing documents to support the transaction.

Cause: The former occupancy specialist was in charge of this program and is not available to explain if the required documentation exists and where it can be located.

Population and Items Tested: None of the twenty(20) files tested were in the Homeownership Program, or at least there is no indication they were. The Executive Director brought this situation to my attention.

Auditor's Recommendation: I recommend that the Housing Commission try obtaining the required documentation.

Grantee Response: We concur with this recommendation. We are also waiting for the recommendations of the HUD investigation into this program.

C. Federal Award Findings and Questioned Costs (continued)

Low Rent and Section 8 New Construction Programs -
CFDA No.'s 14.850 and 14.182

05-9 Year Ended June 30, 2005

Condition and Criteria: During testing of tenant files for the Low Rent and New Construction Programs it was discovered that the verification for social security income was not in one of the files for the fiscal year ending June 30, 2005. In the past, a copy of the social security statement was copied.

Effect: Social security income would be verified on the UIV system, but the requirement that it be documented is not being done.

Cause: The Social Security Administration will not respond to third party verification requests.

Population and Items Tested: The Low Rent Program has 89 units and the New Construction Program has 61 units. A total of sixteen(16) tenant files were tested.

Auditor's Recommendation: I recommend that since third party verification is not possible for the social security income and since the UIV program is now used to verify the social security income, that a copy of the screen be made and kept in the tenants file in a locked, fire proof file cabinet in the office.

Grantee Response: We didn't realize that a copy could be kept because of the confidential nature of social security income on the UIV. But, we now realize that as long as we keep the information in a locked and fire proof file cabinet that we can keep the copy.

C. Federal Award Findings and Questioned Costs (continued)

Capital Fund Program - CFDA No. 14.872

05-10 Year Ended June 30, 2005

Condition and Criteria: The Davis-Bacon Act requires that employees of the Contractor be interviewed to be sure they are being paid at least or above the federal prescribed wage rate.

Effect: If the employees are interviewed, this will provide another verification of their pay rate other than the written documentation.

Cause: The Executive Director is responsible for interviewing the contractor employees, but has found the time to do it.

Population and Items Tested: This finding was the result of interviewing the Executive Director.

Auditor's Recommendation: I recommend that in future capital fund contracts that employees be interviewed and document the interview.

Grantee Response: We concur with this finding.

GREENVILLE HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2005

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NONE

GREENVILLE HOUSING COMMISSION

ADJUSTING JOURNAL ENTRIES

JUNE 30, 2005

=====

Electronic

Line Number

Account Name

Debit

Credit

There were no adjusting journal entries.

GREENVILLE HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2005

GREENVILLE HOUSING COMMISSION
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JUNE 30, 2005

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Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Greenville Housing Commission

I have audited the financial statements of the Greenville Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated March 15, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There was one audit adjusting journal entry and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustment, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing no audit adjusting journal entries were necessary).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful. It should be noted that the Housing Choice Voucher Coordinator was terminated before fieldwork began and therefore she was not available for me to interview.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Barry E. Faudkett, CPA, PC

March 15, 2006

Barry E. Gaudette, CPA, P.C.

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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Greenville Housing Commission

I have audited the financial statements of the Greenville Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated March 15, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

March 15, 2006

GREENVILLE HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
June 30, 2005

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Cash Collections

Tenants currently can pay their rents by cash, check or money order.

I recommend that the Housing Commission consider not allowing payments by cash. This would provide another internal control in the collection of assets.

GREENVILLE HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
June 30, 2005

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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No audit adjusting journal entries were necessary.